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THE AUSTRIAN STATE TREATY AND THE BERLIN CONFERENCE

I. Indications of Soviet Moves on the Austrian Question at the Berlin Conference:

A. USSR has not formally agreed to discussing Austria at Berlin conference; but

1. [REDACTED]

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the embassy is

making considerable preparations for

Austrian treaty negotiations at Berlin, and attaches great importance to them.

2. At least one member of the embassy, possibly Ambassador Ilichev, will attend the Berlin conference.

B. [REDACTED]

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Austrian treaty is still dependent on a German settlement and that agreement on an Austrian treaty at Berlin is improbable.

1. An indication that the Soviet Union plans no quick withdrawal from Austria is the anticipated arrival of dependents of Soviet officers, now permitted to come to Austria.

2. It thus seems likely that the Soviet Union is merely preparing to defend its position

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on the Austrian issue at Berlin and is not yet prepared to agree to an Austrian treaty.

II.

Austrian Pressure for a Treaty or Troop Withdrawal:

A. During past six months the Austrian government has seemed willing to pay almost any price for a treaty.

A. From July to December the government made various independent approaches to the USSR, indicating a willingness to

(a) Promise that Austria would enter no military alliances.

(b) Accept the economic burdens imposed by Article 35 of the long draft treaty which

(1) allows the USSR to retain valuable former German assets including 60 percent of all oil production and also extensive Danube shipping properties,

(2) forces Austria to pay the USSR \$150 million in compensation for other ^{alleged} ex-German assets.

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8. After Western powers indicated to the USSR on 8 December that they wished the Austrian treaty question ^{included} in the four-power talks, Austria stated to the West that
 1. It wished to send a representative to the conference
 2. Such a representative would make a strong plea for revision of Article 35
 3. On the question of neutrality, Austria's representative would adhere to the Western powers' position that Austria make no commitments prejudicing its security or abjuring international associations permitted under the UN charter.
9. Internal Austrian political pressure for a treaty has nevertheless continued.
 1. Chancellor Raab, in a strong speech on 8 January about the unprecedented "injustice" being inflicted on Austria, announced that: "If the Berlin conference should not bring about a satisfactory result, we will demand that the Americans and the Russians also reduce their armed forces to a symbolically small unit".

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(U) The Current Western Position on the Austrian Question

at Berlin:

- A. At the tripartite discussions in Paris in December, Britain and France agreed with the United States to support the participation at Berlin of an Austrian representative who would ask for a relaxation of the provision of Article 35. In part the Austrian representative's proposal would include:
 1. Reduction of the \$150 million payment, agreed upon in 1949, ^{to} releases the German assets. Reduction would be justified ^{by} ~~on~~ *(the amount which the Union has taken out of the economy grounds of Soviet takings since 1949.)*
 2. Elimination of Soviet control over oil and Danube shipping properties in exchange for Austrian compensation not to exceed \$200 million over 25 years.
 3. If, however, the USSR retains the above properties, Soviet extraterritorial rights in their administration should be eliminated.
- B. Britain and France indicated, however, that they are disinclined to support a determined Western effort to revise Article 35 if strong Austrian support for such revision is not forthcoming.
- C. Britain and France agreed with the United States to resist any Soviet proposals to:

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4. Connect the Austrian problem with the German problem.
2. Introduce other extraneous issues such as Trieste, Austrian denazification or demilitarization.
3. "Neutralize" Austria to the detriment of Western or Austrian security or Austria's freedom to participate in associations compatible with the UN Charter.
- D. Britain and France expressed doubts, however, on the advisability of an Allied security guarantee to Austria following a treaty. They gave the impression that neither power would go to the aid of Austria should its independence then be threatened.

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